



Improvements!

City Departments Implementing Audit Recommendations

Report #4

OFFICE OF CITY AUDITOR -- CITY OF SEATTLE

APRIL 24, 1998

This issue of Improvements! summarizes the current status of recommendations (not previously resolved) that we and the State Auditor's Office made to Animal Control Section of the Finance Division (Executive Services Department) in audit reports issued in March and November, 1995. Improvements! will be issued regularly on the status of audit recommendations for various functions. For more information regarding Improvements! or other activities of the Office of City Auditor, please call Susan Cohen at (206) 233-1093.

Animal Control Improving Cash Handling Controls

In October 1994, an employee of Animal Control, after apprehension, confessed that he had been stealing cash from the Pet Licensing section for the past six years. In response to this, both the State Auditor and the Office of City Auditor reviewed the cash and accounting controls at Animal Control. The Office of City Auditor worked with Animal Control to revise its cash handling procedures and improve its recording and safeguarding of cash receipts. For this issue of Improvements!, the Office of City Auditor revisited Animal Control to reassess their cash and accounting controls and their actions to address audit recommendations. The major audit recommendations and their resolution are presented below.

Animal Control has successfully implemented a number of improved procedures in response to audit recommendations and will continue to analyze operations for further improvements. In particular, Animal Control has (1) improved management and accounting controls; (2) transferred the processing of most license renewals to the Treasury Section; and (3) improved customer service. We have closed all these recommendations and removed them from our tracking system.

We note with concern, however, that in August, 1997, Animal Control twice experienced cash losses.

- Miscommunication between two staff members caused two cash deposits, totaling \$590, to be left unattended on an office desk during the day and overnight. The cash was missing the next morning.
- The custodian for funds delegated the responsibility for depositing \$339 in cash into the department's drop safe to two summer temporary employees. The cash was lost, and the two employees each stated that the other had put the money in the safe.

Animal Control management reminded staff of existing cash handling policies and procedures, advised staff not to delegate certain duties, and further strengthened cash controls in a new written policy and has made a commitment to increase supervisory review over its cash handling. These actions should minimize the possibility of future cash losses.

METHODOLOGY

At our request, Animal Control provided information on the actions it has taken to address open audit recommendations. We then: (1) analyzed the responses to determine whether the actions were in accordance with established laws and other policies and procedures and whether they would meet the objectives of the audit recommendations; (2) met with Animal Control personnel to verify the information by reviewing applicable documentation and conducting on-site reviews of new procedures; and (3) determined whether Animal Control needed to take any further actions to comply fully with the recommendations. In performing our work, we followed Government Auditing Standards.

Animal Control's Resolution of Audit Recommendations

Report: Animal Control, November 20, 1995, Office of City Auditor.

<u>Findings and Recommendations</u>	<u>Resolution of Recommendations</u>
Check Endorsement. Some sections do not restrictively endorse checks upon receipt due to lack of stamp or proper procedural guidance.	Animal Control staff now have adequate endorsement stamps available and are using them.
Cash Register. Without a cash register, the Spay and Neuter clinic had an inefficient system prone to error. It used a cash box, which four staff could access, and totaled payments manually. In relieving one another, cashiers did not balance and close out, leaving no way to identify the cashier responsible in the event of a cash shortage.	In lieu of a cash register, the Spay and Neuter clinic now has a computer that generates receipts and maintains a record of transactions. The clinic supervisor reviews the deposit and the cashiers' close-out paperwork. The supervisor also reconciles the quantity and names of the customers with the names of the pet owners in the appointment calendar to ensure proper accounting for all surgery revenues. In addition, a personal log-in is required for all cash transactions.
Treasurer's Receipt Review. Spay and Neuter Clinic staff could not verify the license fee deposits which Pet Licensing made on behalf of the Clinic because Pet Licensing did not return the Treasurer's receipts to the Spay and Neuter Clinic and did not break out the total deposit by originating area.	Pet Licensing now sends copies of the cash summary, Treasurer's receipt, and hand-written deposit slips to the Spay and Neuter Clinic.
Comparison of Source Documents to Posted Entries. Pet Licensing could not easily ensure proper and timely posting of donations it received for the Help the Animals Fund.	Pet Licensing now opens mail daily. It currently enters source documents from the Treasurer's Office within three to five days.
Monitoring of Fund Balance. Receiving only quarterly financial reports, Animal Control could not easily track additions to the Animal Control fund and, therefore, could not plan for the use of these additional funds.	Management reports on fund balances are adequate, but more reports are needed. Animal Control is developing reports in-house and is coordinating with ESD's Accounting Services.
Staffing. Due to workload decreases and additional costs, the audit report recommended that the Department of Finance, Office of Management and Planning and the City Council re-evaluate the need for two additional officers and determine whether other policy considerations (for example, the new off-leash park areas) justify the expense of these officers.	The City Council reviewed these two staff positions and decided to retain them for reasons other than increasing infraction revenues.

Report: Animal Control Fraud, Report #56598, March 17, 1995, State Auditor's Office.

<u>Findings and Recommendations:</u>	<u>Resolution of Recommendations</u>
Recovery of Misappropriated Funds. City of Seattle should seek recovery of misappropriated funds and related audit/investigation costs from the pet licensing supervisor and its insurance bonding company.	The City recovered \$152,000 from the bonding company. The guilty party has been ordered to make restitution. When and if that occurs, we anticipate the restitution will go first to the bonding company, and only lastly to the City for its insurance deductible.
Review Accounting Controls. City of Seattle should review overall accounting controls, correct weaknesses and implement an effective system of internal control.	The Office of City Auditor performed an expanded audit and worked with Animal Control to greatly strengthen controls.